

29th June 1957]

Speech of Sri C. Subramaniam, Finance Minister, presenting the Budget for 1957-58 to the Madras Legislature on the 29th June 1957.

Sir,

I rise to present to this House the Budget Introductory.
Estimates for the year 1957-58. Hon'ble Members are aware that a Budget for the current year was presented to the old Legislature last December and a Vote on Account was taken to cover the expenditure during the first four months of the year. Those estimates have now been revised making allowance for the altered trend of receipts and the additional expenditure we have to incur on new schemes included in the Plan and on the financial concessions we recently sanctioned to low-paid Government servants. The deficit of about Rs. 5 crores which we anticipated in December should have grown much larger but a rigorous scrutiny has been made of departmental estimates to eliminate non-essential expenditure, with the result that the deficit has been kept within bounds and is now of the same order as in the interim Budget.

2. The one favourable feature which has enabled Seasons.
us to reduce the imbalance in the Budget is the fact that 1956-57 was a year of fair seasonal conditions free from cyclone, floods and famine. The south-west monsoon set in, in time and brought in an average rainfall of 13.3 inches which was 9 per cent above normal. This monsoon was particularly favourable in the coastal districts of Chingleput, South Arcot and Tanjore, the rainfall being well distributed and more than 30 per cent above the average. The north-east monsoon came in almost in continuation and the average fall of 20.5 inches was again above

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normal by 16 per cent. The central districts of Salem, Coimbatore and Tiruchirappalli were particularly favoured with falls over 50 per cent of the normal. The southern tip of the State was, however, unlucky in both the monsoons and there was heavy deficiency in the Sankarankoil, Nanguneri and Srivaikuntam taluks of Tirunelveli district and in the whole of Kanyakumari district, where crops withered over some areas causing some measure of distress. Low-scale famine relief works have been taken up in these areas to the extent necessary.

**Agricultural
production.**

3. Under the stimulus of the favourable season and the various measures of intensive cultivation, the index of agricultural production in the State (base 1947-50) has risen by 4 points from 115 in 1955-56 to 119 in 1956-57. The increase in area sown, and production over the previous year of the principal crops are as follows:—

	Areas sown in million acres.		Production.		Increase in yield over 1955-56.
	1955-56.	1956-57.	1955-56.	1956-57.	
(1)	(2)	(3)	(4)	(5)	(6)
					PER CENT.
Paddy ..	5.49	5.54	2.96 million tons of rice.	3.10 million tons of rice.	4.7
Milletts..	5.51	5.60	1.47 million tons.	1.52 million tons.	3.3
Groundnut ..	1.78	1.80	821,000 tons.	855,000 tons.	4.1
Cotton ..	1.16	1.20	335,000 bales.	358,000 bales.	6.9
Sugarcane ..	0.121	0.129	341,000 tons of gur.	373,000 tons of gur.	9.4

Agricultural production in the whole of India has also increased, rice from 26.8 million tons in 1955-56 to 28 million tons in 1956-57 and wheat from 8.3 million tons to 8.6 million tons. Among commercial crops, production of cotton has increased by 20 per cent, groundnut by 6 per cent and sugarcane by 17 per cent.

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4. The increase in agricultural output should normally have depressed prices, but the year witnessed a sharp rise in the price level. The index of wholesale prices of foodgrains advanced by 105 points to 482 points during the course of one year. Rice, second sort, which sold at about Rs. 13 a maund in June 1955, was available only at Rs. 20 a maund in November 1956, and even after a bumper harvest the present price is Rs. 18 a maund with a marked upward trend. Similarly cholam, ragi, cumbu and other millets which used to sell at about Rs. 8 a maund in May 1955 is now being quoted at Rs. 12 to Rs. 14. Groundnut prices have risen from about Rs. 15 a maund in April 1955 to about Rs. 25 in March 1957. Cotton prices have also gone up by about 15 per cent and Cambodia is now being quoted at about Rs. 100 a maund. In a predominantly agricultural State, an upward trend in the prices of farm produce may even be generally welcomed but for the fact that we still do not grow enough rice in the State for our needs. To the extent the rise in food prices is due to overall shortage there may be danger ahead. It has to be borne in mind that taking the country as a whole, there is some shortage of rice, and it is becoming increasingly difficult to import rice from other countries. But the situation is being carefully watched and fair-price shops are being opened, wherever necessary.

Agricultural prices.

5. The pressure of prices and the rapid depletion of foreign exchange reserves are the two major problems facing the economy of the country. The Union Finance Minister has, in his Budget speech, analysed the causes and indicated the steps which we should take to tide over the crisis. We are now making satisfactory progress in setting up the heavy industrial units contemplated in the Plan both in the Public and Private Sectors. This involves the import of large quantities of heavy machinery which have to be paid for immediately in foreign currency. There is an unavoidable time-lag between the purchase of these expensive machines and their

Economic situation.

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going into production. When, for example, the three new steel plants now under construction are commissioned, we need no longer import iron and steel and may even be able to earn some additional foreign exchange by the export of these products. But, till this happens, the drain on our limited foreign exchange reserves will continue and we have to husband them with the greatest prudence. The rapid rate of capital investment in the Public and Private Sectors, and the various development activities undertaken by the Government, have enlarged employment and increased the purchasing power of the people. This has naturally generated a fresh demand for foodgrains and consumer goods and the production in the country is not growing fast enough to meet the new demand. Our difficulty in holding the price line is the direct consequence of our determination to organize heavy industries in quick time and, therefore, we should not unduly get alarmed over present developments. We must accept these temporary inconveniences in good spirit since there can be no two opinions on our present need for rapid industrialization. The situation is expected to be trying for another two years, till the bulk of the new units go into production and in the meanwhile, we should take all other possible steps to mitigate the hardship.

Agricultural
develop-
ment.

6. The immediate part the State Government should play in this state of affairs is to step up agricultural production within the resources set apart for that purpose in the Plan. One of the major schemes in our agricultural plan is the opening of about 360 seed farms for the supply of improved seeds to cultivators. There will be one such farm of about 25 acres in each National Extension Block, to produce primary seeds which on further multiplication will meet the bulk of the needs of the Block. Thirty-eight such farms were opened last year. We have since decided to accelerate this programme and a provision of Rs. 49 lakhs has now been made in the Budget for starting 136 farms during the

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current year. We hope to complete the programme by next year, so that the entire State may be supplied with good seeds, well in advance of the original target. The use of chemical fertilizers is becoming increasingly popular. About 120,000 tons of ammonium sulphate were distributed in 1956-57 and it is proposed to step up the supply to 140,000 tons during the current year. Short-term manure loans will be given as usual to smaller agriculturists and an allotment of about Rs. 70 lakhs has been made for that purpose. Adequate provisions have been made for the other schemes of Agricultural department, such as sugarcane research and development (Rs. 15 lakhs), control of pests and diseases (Rs. 4.6 lakhs), urban compost (Rs. 5.5 lakhs), horticultural development (Rs. 5.36 lakhs), expansion of Agricultural College (Rs. 5.96 lakhs), distribution of green manure seeds (Rs. 1.19 lakhs), etc.

7. The Minor Irrigation Programme and the Irrigation filter-point scheme will be continued at a cost of about Rs. 55 lakhs. Steady progress is being maintained on all the Major Irrigation Projects. The Lower Bhavani Project has been completed, and only small items of work remain on the Manimuthar and Mettur Canals. The Amaravathi, Krishnagiri and Sathanur reservoirs are nearing completion and some water can be stored in them even during this season. It is proposed to let down these storages for irrigation on the 15th of August from the Krishnagiri reservoir, on the 15th September from the Amaravathi reservoir and on the 2nd October from the Sathanur reservoir. The Kattalai and the Pullambadi channel works will be accelerated and a provision of Rs. 15 lakhs has been made for each of them in the Budget. The schemes in the Major Irrigation Plan yet to be taken up for execution are the Vidur reservoir of South Arcot-Pondicherry and the diversion of west-flowing rivers, but on both

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of them we have still to reach agreements with other States and the Central Government. The total allotment for major irrigation is about Rs. 234 lakhs.

Soil Conser-
vation.

8. A new line of development which we propose to undertake on an enlarged scale during the year is soil conservation for which a provision of about Rs. 32 lakhs has been made in the Budget. Some work has been done in the Nilgiris already, and this will be continued. The scheme is now being extended to the plains to cover about 10,000 acres in Coimbatore, 2,000 acres in Salem, 2,500 acres in Tiruchirappalli, 2,200 acres in Chingleput and 250 acres in Madurai. The work will be done initially at the cost of the Government and it is proposed to recover about 75 per cent of the cost from the beneficiaries in easy instalments.

Forests.

9. Hon'ble Members are aware that the reorganization of States has resulted in a substantial reduction of our forest wealth. The areas transferred to Kerala and Mysore contained our best timber forests and, therefore, we have now to make a special effort to regenerate the inferior forest areas left over to our share. We have included several useful schemes of development in the Plan and a promising start has already been made in implementing them. The Forest department has been reorganized into 18 compact territorial divisions to ensure better conservation and speedier execution of the new schemes. The major provisions made in the Budget are regeneration of panchayat and ex-zamin forests (Rs. 12.5 lakhs), cashew cultivation (Rs. 4.4 lakhs), casuarina plantations (Rs. 3 lakhs), industrial timber such as blue gum, wattle and matchwood (Rs. 3.3 lakhs), commercial timber like teak and rose wood on river margins (Rs. 1.6 lakhs), preservation of wild life (Rs. 1.2 lakhs) and forest communications (Rs. 2.5 lakhs).

Animal
Husbandry.

10. On Animal Husbandry, the main item of development is the Key Village Scheme by which we eliminate inferior breeds of bulls in selected

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localities and stock them with pedigree bulls. Artificial insemination will be provided at these centres and a subsidy will be given for the proper rearing of bull calves born there. The improved stock so reared, will be bought by the Government and distributed to other areas. The Key Villages will thus be a nucleus for the supply of good bulls for the neighbourhood and serve the purpose of a cattle-farm. A provision of Rs. 16 lakhs has been made in the Budget for this and allied schemes. A start will be made this year on the Madras City Milk Supply Scheme estimated to cost about Rs. 11½ crores. Four thousand milch cows will be maintained in a farm in the suburbs of Madras and the milk will be distributed on the lines of the Aarey Milk Scheme of Bombay. The City Corporation will divert the sewage, now running to waste, into this farm for raising fodder for the needs of the farm. The present retail distribution of milk by Milk Unions will be co-ordinated with the scheme to ensure hygienic handling. A provision of Rs. 28 lakhs has been made in the Budget for these schemes. Poultry development is also receiving close attention. A scheme for the import of pedigree chicks from overseas has been organized and new poultry units are being attached to every Key Village, and in due course we shall have a unit in each Development Block. An allotment of Rs. 33 lakhs has been made in the Budget for these schemes.

11. The various measures for the development of Fisheries. inland and marine fisheries will be continued at a total cost of Rs. 14 lakhs. The use of mechanised Pablo boats is becoming popular since they enable fishermen to go farther into the sea for better catches, and a provision of Rs. 21½ lakhs has been made for this purpose. The supply of nylon nets will be subsidized at a cost of Rs. 11½ lakhs. The salt subsidy scheme will be continued and a scheme for the manufacture of fish meal and manure will be organized. It is also proposed to open fishing

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harbours by cutting the bars of river-mouths so that fishermen may have sheltered landing places from which to operate.

**National
Extension
Services.**

12. The Community Projects and the National Extension Services covered 91 blocks at the end of last year and 19 new blocks were taken up at the beginning of this financial year. It is now proposed to extend these services to 23 more blocks during the course of the year taking the total to 133 blocks. The provision under this head is Rs. 370 lakhs. A new development in the rural sector is the Gramdhan movement initiated by Vinobhaji and there has been very considerable response in the southern districts more particularly in Madurai. The question of evolving a pattern on the co-operative model for the settlement and development of these villages is now engaging the attention of the Government. In the meanwhile, a provision of Rs. 20 lakhs has been made in the Budget for giving loans to agriculturists in these villages for the intensive cultivation of the Gramdhan lands.

Electricity.

13. Steady progress has been maintained so far on the Power Schemes in the Plan, particularly on the Kundah and the Periyar Hydro-Electric Schemes and the Madras Plant Extension, Third Stage. The total allotment for power development in the Budget is Rs. 11.62 crores. The 30,000 K.W. generating set under the Madras Plant Extension Scheme will be commissioned by December of this year and will relieve the power shortage of the grid in the summer months. On rural electrification, we extended power-supply to 1,300 villages and 13,000 agricultural pumpsets during the last year and this is far in excess of the target for the year set in the Plan. It is proposed to maintain this tempo during the current year and adequate provision has been made for that purpose. But we may now have to reckon with the serious shortage of foreign exchange, steel and cement, which may retard progress. Fortunately, the heavy machinery for the Kundah

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Project will be supplied by the Canadian Government under the Scheme of Foreign Aid and, therefore, this Project may not be affected materially. Every attempt will be made to implement the programme, but the House must be prepared for short-falls, under the difficult conditions now obtaining in the country. Although the Budget Estimates provide for the expenditure for the full year, with the formation of the Electricity Board, the direct responsibility for running the department will pass on to the Board. Consequently, funds required for the purpose will have to be advanced by the Government to the Board as a loan from out of the sums voted by the Legislature.

14. On the side of major industries, the inauguration of the Lignite Project by the Prime Minister last month is the most significant development of recent times. We may note with some satisfaction that the sum of about Rs. one crore we had spared out of our limited resources on this investigation during the last few years, has been well-spent, for the Project costing about Rs. 70 crores may well revolutionize the industrial economy of the South. The immediate programme in the Public Sector, expected to come into fruition by 1960, is to set up a thermal plant of 200,000 K.W., a fertilizer unit for the manufacture of chemical manures with a nitrogen content of 70,000 tons per annum, and a plant for the briquetting of 350,000 tons of lignite for use as motive fuel for other industries. With an assured supply of cheap fuel and power, there are large possibilities for starting many new industries based on this Project such as paints, varnishes, synthetic oils, insulators, porcelain, etc., and let us hope that private enterprise will seize the initiative in an adequate measure.

15. On other major industries, we are now assured of an aluminium plant of 10,000 tons capacity based on the bauxite deposits of Salem, to be located at Mettur. The National Industrial

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Development Corporation is expected to set up an iron smelting plant at Salem to utilize the local ore and, pending further investigation at Jamshedpur, a licence has been granted for the installation of a small plant on the low-shaft furnace method in the private sector for the manufacture of pig iron. A new paper mill has been licensed at Papanasam and another one at Mettur is under consideration. A rayon pulp plant, based on eucalyptus and wattle grown in the Nilgiris, is likely to be started at Bhavanisagar. A new cement factory in Ramanathapuram district and a rubber tyre factory at Ambattur have been licensed. Erection of the new caustic soda plant at Tirunelveli is progressing and the capacity of the existing one at Mettur is being expanded. A factory for the assembling of metre-gauge railway wagons has already gone into production and a new one for broad-gauge wagons may also come up soon. The new plant at Avadi for the manufacture of steel tubes has just commenced production. The proposal for the expansion of the capacity of the T.I. Cycles from 2 lakhs units to 5 lakhs units per annum has been recommended by this Government and is now under consideration. With the addition of about 13½ lakhs of new spindles recently sanctioned and now going into production, the textile industry is making encouraging progress. Many new sugar factories are being organized, mostly in the co-operative field, and a provision of Rs. 15 lakhs has been made in the Budget towards Government participation in the share structure. These new enterprises are experiencing difficulties over foreign exchange, but efforts are being made to arrange for deferred payments to foreign suppliers of machinery.

Small scale
industries.

16. Our approach on Small-scale Industries is to start a number of production-cum-training centres with the main object of training personnel for absorption in Public and Private enterprises. Amongst such schemes already started are a foot-wear service centre at Perambur, another foot-wear

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unit at Triplicane, a hand-made match factory at Perambur, two model carpentry workshops at Cheranmahadevi and Krishnagiri, and a sheet-metal servicing centre at Wall-tax Road. Similar centres are now under construction and will be opened during the course of the year in different parts of the State for the lock industry, textile mill parts, hurricane lanterns, electrical goods, surgical instruments, scientific and laboratory equipments, brassware, cutlery, porcelain, sports goods and farm implements. Industrial co-operatives are also being organized wherever artisans in a particular craft live together. A provision of Rs. 25 lakhs has been made towards State Aid to Small Industries. Steady progress is being made on the three new Industrial Estates at Guindy, Virudhunagar and Erode, and about 30 factory units will be available at Guindy during the year. The total provision in the Budget under Small-Scale Industries is Rs. 112 lakhs.

17. Large provisions have been made for the development of village industries like tanning (Rs. 5 lakhs), bee-keeping (Rs. 4 lakhs), village pottery (Rs. 2 lakhs), palm jaggery (Rs. 2.6 lakhs), cottage-type match factory (Rs. 7 lakhs), oil pressing (Rs. 1.8 lakhs) and assistance to village industries and artisans (Rs. 4 lakhs). A provision of Rs. 10 lakhs has also been made for the development of various handicrafts such as lace embroidery, glazed ceramic wares, fancy leather goods, carpets, cloth dolls, wood carving, etc. With a view to provide immediate additional employment in the rural sector, the Khadi programme is being accelerated. We have made a start with the Ambar Charka programme and it is proposed to set up 12,000 Ambar Charkas during this year. Khadi worth about Rs. 125 lakhs is expected to be produced

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during the year, and a provision of Rs. 35 lakhs has been made in the Budget towards the net cost of the schemes.

Handloom.

18. The needs of the handloom industry continue to receive the close attention of the Government. The various schemes already in force such as loans for working capital, rebate on sales, organization of sales depots are all being continued. In order to ensure the regular supply of yarn to weavers, it is proposed to start two Co-operative Spinning Mills, one at Tirunelveli and the other at Srivilliputtur. A provision of Rs. 146 lakhs has been made in the Budget for the benefit of handloom weavers and let us hope that the industry will maintain its present satisfactory progress.

Housing.

19. Under the subsidized industrial housing scheme, a provision of Rs. 12½ lakhs has been made for private managements, and Rs. 3 lakhs for co-operative societies. The City Improvement Trust and the various local bodies will be advanced about Rs. 15 lakhs under the low-income group housing scheme. A sum of Rs. 20 lakhs has been set apart towards slum clearance in the City of Madras. The accumulation in the Madras Cyclone Relief Fund, 1955, amounting to about Rs. 20 lakhs will be spent on a scheme of rural housing in the cyclone-affected districts of Ramanathapuram, Madurai, Tiruchirappalli and Tanjore. The police housing scheme, under which we are constructing living quarters to the subordinate ranks of the police, is making fair progress, and a sum of Rs. 80 lakhs has been set apart in the Budget for that purpose. A provision of about Rs. 37 lakhs has also been made towards loans to house-building societies.

Roads.

20. A heavy programme of new construction of roads, costing this Government about Rs. 102 lakhs in the current year, is being taken up. Fifty-eight other new works estimated to cost about Rs. 103 lakhs

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have also been sanctioned from out of funds at the credit of this Government in the Central Road Fund. A bridge over the Cauvery on the Southern Trunk Road, costing about Rs. 40 lakhs, is under construction. The investigation of the Pamban Bridge which may cost over a crore of rupees, is making progress. Four hundred and seventy miles of major district roads now in charge of district boards will be taken over by the Government for maintenance to afford some relief to district boards.

21. In selecting new schemes on the medical side, **Medical.** special emphasis is now being laid on the rural sector. Of the 140 primary health centres contemplated in the Plan, 28 were opened last year, another 28 will be started in the current year, and a provision of Rs. 18.6 lakhs has been made. These rural medical units can function efficiently only if the Taluk Headquarters Hospitals to which they are attached are developed, and a sum of Rs. 11.3 lakhs has been allotted for improvements to 22 such hospitals in all the districts. The Local Fund Hospitals at Nilakottai, Gingee, Tiruppattur (Ramanathapuram district), Omalur and Kulittalai will be taken over by the Government for direct management. Work on the new District Headquarters Hospital at Palayamkottai, estimated to cost Rs. 23 lakhs, will commence in the current year, and a small provision has been made for that purpose. Improvements to District Headquarters Hospitals at Chingleput, Cuddalore, Tiruchirappalli, Coimbatore and Vellore costing Rs. 14.9 lakhs will be carried out during the year. The needs of the teaching hospitals are also being met adequately with allotment of Rs. 29.8 lakhs for Madurai Medical College, Rs. 11.5 lakhs for the Madras Medical College and Rs. 3.4 lakhs to the Stanley Medical College. Provision has also been made for training, in addition to the normal programme, about 200 nurses, 200 pharmacists, 200 technicians, 200 maternity assistants and 30 opticians.

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Public
health.

22. The Urban Water-supply Scheme, covering about 15 Municipalities, is making appreciable progress, even though there is difficulty in securing all the pipes needed, and an outlay of about Rs. 93 lakhs is programmed for the year. The Rural Water-supply Programme, consisting mainly of the digging of wells and the composite protected water-supply schemes for the deltaic regions, are being continued at a cost of Rs. 40 lakhs and Rs. 20.5 lakhs, respectively. Amongst other Public Health Schemes, mention may be made of the opening of 96 new maternity and child-welfare centres at a cost of Rs. 47 lakhs, and 79 Family Planning Clinics at a cost of Rs. 41 lakhs.

Education.

23. The recommendations of the Committee of this Legislature on Educational Policy are now under examination. In the meanwhile, a provision of about Rs. 20 lakhs has been made for the opening of additional classes, Rs. 10 lakhs for the conversion of elementary schools into basic schools, and Rs. 23 lakhs for the conversion of ordinary training schools into basic training schools. We have stepped up enrolment by over one lakh last year and this tempo will be maintained. I should refer, in this connexion, to the provision of Rs. 10 lakhs for the supply of midday meals to poor children in primary schools. The Legislature Committee on Education has recommended that this concession should be an essential feature of a phased programme of implementation of Article 45 of the Constitution, and a beginning is proposed to be made this year. The increase in the emoluments of non-gazetted employees of Government has been made applicable to school teachers generally, and the cost in respect of primary school teachers will be of the order of Rs. 132 lakhs.

Technical
education.

24. The successful implementation of the Second Plan with its heavy programme of industrial development calls for special emphasis on Technical Education. The Government of India have offered substantial financial assistance for strengthening

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the existing training institutions and starting new ones. The admission capacity of the Engineering Colleges in the State was 537 at the beginning of the first Five-Year Plan, and had increased to 647 at the end of the First Plan. According to the Second Five-Year Plan, this is to be raised to 1,100, and with the opening of a new Engineering College at Madurai we hope to reach this target even this year. The capacity of our Polytechnics was raised from 922 to 1,142 in the First Plan period and we hope to raise it to about 1,600 in the current year. The Budget provides for an outlay of Rs. 63.9 lakhs on Engineering Colleges, Rs. 15.2 lakhs on Polytechnics, and Rs. 8 lakhs on the Institute of Leather Technology. The organization of technical education is now under the control of two heads of departments, the Director of Public Instruction and the Director of Industries and Commerce. Both these officers have large and growing departments to manage and may not be able to devote undivided attention to technical education. The All-India Council of Technical Education and its Southern Regional Committee have recommended the setting up of a separate Directorate to take over all aspects of technical education, and the Government have decided to implement that recommendation forthwith. A State Advisory Board will also be set up to advise the Government on the co-ordinated development of technical education at all levels and to maintain liaison with the Southern Regional Committee. The National Plan provides for the opening of four higher technological institutions for post-graduate studies in the country, and the location of the one for the southern region is now under the consideration of the Government of India. We have made strong representations pointing out the advantages of locating this institution at Guindy and have also agreed to provide the necessary land at State cost. We are expecting that a favourable decision will be taken soon by the Government of India.

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**Welfare of
Harijans.**

25. In respect of the welfare of Harijans and Backward Classes, besides the usual allotment for boarding grants, scholarships and fee concessions amounting to about Rs. 65 lakhs, several new schemes for the construction of houses, acquisition of house-sites, provision of sanitary amenities, subsidy for the purchase of bulls and agricultural implements, development of cottage industries, etc., are being sanctioned at the instance of the Government of India on a half-grant basis. The Government have also decided to provide public lighting in the habitations of Harijans in villages where electricity is available. The total provision under this head is now about Rs. 194 lakhs as against Rs. 134 lakhs in the last year.

**Reorganiza-
tion of
districts.**

26. With the increasing tempo of rural development work, the question whether our revenue districts are far too unwieldy in size for efficient administration has come up for consideration. But there is considerable volume of tradition and history attached to the present configurations and there may be a good deal of local sentiment against the dismemberment of the present districts. A Committee of the Cabinet is now considering this question and would welcome the suggestions of hon. Members. In the meanwhile, it has been decided to keep the Kanyakumari area as a separate district and to detach the Nanguneri taluk from the Tirunelveli district and add it on to the Kanyakumari district forthwith, so as to even out the work-load of the District Officers of the two districts.

**Accounts,
1956-57.**

27. The Revised Estimates for 1956-57 anticipated a revenue of Rs. 57,08 lakhs, and an expenditure of Rs. 60,87 lakhs leaving a deficit of Rs. 3,79 lakhs. The Preliminary Actuals of the year are now available and show that our revenues for the year were Rs. 54,85 lakhs and expenditure Rs. 55,34 lakhs, leaving a much smaller deficit of Rs. 49 lakhs. An expenditure of Rs. 42 lakhs was

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met during the year from the Contingency Fund and therefore, the actual deficit should have been Rs. 91 lakhs. Even so, the revenue position turned out to be much better than our original anticipations. Various inter-departmental adjustments have still to be made and the final position will be known only a few months hence. There has been appreciable short-fall in expenditure under development heads like Agriculture, Industries, Co-operation and National Extension Services owing to the delay in building up the organization for implementing some of the new schemes, and consequently there has been reduction in departmental receipts expected from the new schemes. Under Capital Expenditure also, there has been a short-fall of about Rs. 3.63 lakhs, the actuals being Rs. 20.52 lakhs against an anticipated outlay of Rs. 24.15 lakhs. These figures will be further modified, as the items now held under suspense heads are entered into the accounts, but the general picture may not be materially altered. Since there were short-falls in expenditure, we have drawn Rs. 9 crores less, as loans from the Centre. Even so the year closed with an effective cash balance of Rs. 1.64 lakhs, as against Rs. 51 lakhs only anticipated in the revised Budget.

28. The figures furnished in the interim Budget for the year, presented to the old Legislature last December, have now been revised, keeping in mind the almost unavoidable lags in execution at the organizational stage of the new schemes in the Plan. The Budget as now framed anticipates a revenue of Rs. 56.49 lakhs on existing taxation and an expenditure of Rs. 61.32 lakhs including Rs. 1.82 lakhs on new schemes to be sanctioned in the course of the year, leaving a deficit of Rs. 4.83 lakhs. The sum of Rs. 42 lakhs which we withdrew from the Contingency Fund last year has to be refunded after the expenditure is voted and has been taken into consideration in reckoning the present deficit.

Budget
Est.mates.
1957-58.

29. The main cause for this large deficit is the enhancement by Rs. 12 per mensem in the emoluments of non-gazetted officers and other low-paid

Financial
conces-
sions.

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public servants which we recently sanctioned. The extra cost of these concessions is about Rs. 4,26 lakhs, but the Central Government has agreed to meet a portion of the cost amounting to Rs. 1,94 lakhs at the rate of Rs. 8 per mensem for those drawing Rs. 60 and less as total emoluments, and at Rs. 4 per mensem for those drawing above Rs. 60 and up to Rs. 100. The Centre does not share the cost of the concessions for those drawing above Rs. 100, but a loan of Rs. 25 lakhs will be available to us this year for that purpose. We should indeed be grateful to the Union Finance Minister for sponsoring this scheme of Central assistance but for which we would not have been able to afford this measure of relief to our low-paid employees. Our village officers have not had the benefit of these concessions and there is some unrest among them. The question of reorganizing village establishments to meet present administrative needs is now under the consideration of the Government, but decisions on this large issue may take time. It is now proposed to enhance the dearness allowance of village establishments by Rs. 7 for karnams, Rs. 5 for headmen, and Rs. 4 for village servants. This concession will take effect from 1st July, and will cost about Rs. 30 lakhs in a full year, and Rs. 20 lakhs in the current year. Other financial concessions to public servants included in the Budget are revision of the scale of pay of upper division clerks in the Ministerial Service to provide for larger increments in the earlier stage, upward revision of the scale of pay of audit clerks and Inspectors in the Local Fund Audit Department, provincialization of service conditions of workers in the Government Estate, enhancement of the pay of night watchmen up to the prevailing market rates, provision of recreation facilities to nursing staff in certain Government hospitals, the supply of warm clothing to village servants on the Hills, and the upgrading of 23 posts of Assistant Surgeons to a Selection Category.

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30. The deficit of Rs. 4,83 lakhs is large and cannot all be left uncovered at any time, the more so now, with the present upward trend in prices and with a heavy Capital Programme, for which also we are short of resources. The following proposals to increase the existing revenue are being made:—

(a) The ordinary rate of General Sales Tax was 3 pies in the rupee or 1-9/16 per cent till 31st March 1957. With the introduction of the decimal coinage from the 1st April 1957, this should normally have been rounded to 2 per cent. But the Government have continued the old rate till now so as to give the matter full consideration. Calculation of sales tax in fractions of the percentage is inconvenient and may give unscrupulous dealers an advantage over customers in small transactions. It is now proposed to fix the rate at 2 per cent in the case of commodities other than foodgrains and to reduce the rate to 1 per cent in the case of foodgrains (paddy, rice, wheat and millets). It is also proposed to exempt books from the levy of sales tax. The net effect of these proposals is expected to be an additional revenue of Rs. 170 lakhs in a full year but we may realize only Rs. 125 lakhs in the rest of the current year.

(b) It is proposed to raise the rate of Agricultural Income-tax on owners of plantations as follows:—

Income.	Rate of tax.	
	Present rate per cent.	Proposed rate per cent.
On the first Rs. 1,500	Nil.	Nil.
On the next Rs. 3,500	5	5
On the next Rs. 5,000	10	15
On the next Rs. 5,000	15	20
On the next Rs. 5,000	20	25
On the next Rs. 5,000	25	30
On the balance of total agricultural income and on the total income of companies.	35	45

It is expected that an additional revenue of Rs. 25 lakhs per annum will accrue from this source.

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These two new measures will bring in an additional revenue of Rs. 1,50 lakhs in this year, reducing the deficit to Rs. 3,33 lakhs.

31. The Union Finance Minister has proposed modifications in the rates of income-tax and Excise Duties, and a new surcharge on railway fares and these are now under the consideration of the Parliament. It is anticipated that a total sum of Rs. 15 crores would become available to the State Governments as their share of the proceeds of additional revenue from these sources. If the proposals go through without substantial modifications, this Government should receive about Rs. 125 lakhs as their share. But the Government of India have not yet agreed with this view and seem to think that this sum should go towards the overall Central assistance due to States as already fixed in the Central Budget. We have made representations and pending a final decision on this question, no credit is being taken in the Budget for this item.

Economy in
Expen-
diture.

32. There has been a large expansion in administrative services during the post-war period necessitated indeed, by the mounting tempo of the development programme. The Finance Department does scrutinize proposals for additional staff with extreme care, but it is not unlikely that an officer appointed for a special purpose may be continuing in office, even after the intensity of the special job has abated. In the interests of economy and efficient administration, this tendency has to be checked by a periodic overhaul of the structure of each department. The Government propose to appoint a Special Officer of mature experience and high rank to make an enquiry into the structure and staff requirements of each department both at headquarters and in the districts, and make suitable recommendations. He will also look into the various items of departmental expenditure and contingencies to effect economies wherever possible. He will work under the direction of a Committee of the Cabinet which will pass

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orders on his recommendations relating to a department, as soon as he submits his report on that department. Some savings are bound to result this way, but it is not possible to make a firm estimate now and hence no credit is being taken in this Budget.

33. The Finance Commission with Sri K. Santhanam as the Chairman was constituted by the President of India in June 1956, in pursuance of the provisions of Article 280 of the Constitution. The main task of the Commission is to make recommendations as to—

Finance
Commis-
sion.

(a) the allocation among State Governments of the net proceeds of Central Taxes, i.e., income-tax, Union Excise Duties and other shareable Central Taxes;

(b) modifications in the rates of interest and terms of repayment of loans taken from the Central Government; and

(c) special grants-in-aid to be given to individual State Governments with reference to their requirements for financing the Second Five-Year Plan, etc.

The Finance Commission met the representatives of this Government and held discussions with them in March 1957. Some of the points which we urged before the Commission are the large disparities which now exist between the emoluments of State and Central Government servants doing comparable jobs in identical localities and the necessity for a substantial measure of Central aid to reduce the disparities adequately. We have pointed out the limitations of the taxable resources exclusively in the State's sphere, and explained our case for a larger share in the divisible Central Taxes in order to meet our growing needs and commitments on the Plan. We have also pressed for the consolidation of the outstanding loans from the Centre so as to

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reduce our debt charges to the level of the average borrowing rate, taking into consideration the funds now available to the Centre by deficit financing. Let us hope that the Finance Commission will find it possible to accept the general trend of our recommendations and in that hope we may perhaps be justified in leaving the Budget deficit uncovered for the present.

**Capital Ex-
penditure.**

34. The Capital Expenditure for the year is now estimated at Rs. 23,49 lakhs, made up of Rs. 11,62 lakhs on Electricity, Rs. 2,93 lakhs on Irrigation, Rs. 3,67 lakhs on Roads and Buildings, Rs. 1,95 lakhs on Industrial Development and other Works, Rs. 85 lakhs on Public Health, Rs. 1,31 lakhs on State Trading Schemes, and Rs. 1,16 lakhs on other items. A provision of Rs. 20 lakhs has been made mainly for the purchase of new buses for the State Transport and improvement of workshops in Madras City and Kanyakumari district.

**Loans and
Advances.**

35. Under Loans and Advances, the anticipated outlay is Rs. 7,92 lakhs. This sum includes Rs. 2,25 lakhs for advance to cultivators, Rs. 1,57 lakhs for Loans to the Corporation of Madras and other Local Bodies for various purposes including Water-supply and Drainage Schemes, Rs. 1,38 lakhs for Loans for the National Extension Service and Community Development Project areas, Rs. 40 lakhs for short-term loans to the Madras Industrial Investment Corporation, Rs. 30 lakhs to Weavers' Co-operative Societies in pursuance of the schemes financed from the Handloom Cess Fund and Rs. 41 lakhs for State Aid to Industries. Recoveries during the year are expected to amount to Rs. 4,19 lakhs leaving a net outlay of Rs. 3,73 lakhs.

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36. Our requirements for Ways and Means ^{Ways and Means.} during this year will be about Rs. 35,63 lakhs, made up of

	RS. LAKHS.
Capital Expenditure	23,49
Loans and Advances—Net disbursement	3,73
Repayment of overdrafts from the Reserve Bank, outstanding at the beginning of the year	1,70
Repayment of loans taken from the Central Government and certain autonomous bodies	2,88
Revenue deficit to be covered	3,33
Balance to be kept in the Reserve Bank of India and Treasuries ..	50
Total ..	35,63

As against these requirements, the resources now in sight amount only to about Rs. 22,55 lakhs as shown below:—

	RS. LAKHS.
Opening cash balance	3,34
Net receipts under Deposit, Remittance, etc., transactions ..	2,71
Loans (anticipated) from the Government of India on schemes eligible for Central Assistance	16,50
Total ..	22,55

Thus there is an uncovered gap of over Rs. 13 crores on the Ways and Means side. If, as a result of the recommendations of the Finance Commission, our revenue resources are augmented as anticipated, this gap will be reduced, but even so, it will be of the order of Rs. 10 crores. Last year, we were able to raise an open market loan of nearly Rs. 14 crores, but extremely stringent conditions obtain in the money market at present. The Government of India have advised rather strongly that the State Governments should not float any public loan during the current year. Taking all circumstances into consideration, the Government have taken the decision that no public loan should be raised this year. We may be able to augment our resources to some extent

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by setting up an organization and intensifying the drive for Small Savings, but this would not go very far to cover the Ways and Means gap of this year. We must necessarily depend on further assistance from the Centre, but there is no assurance yet on that. Hon. Members should, therefore, note that there is an element of uncertainty regarding the Capital Programme, but, for the present, let us proceed ahead in the hope that we can resolve difficulties as and when they arise.

Plan Pro-
vision.

37. The outlay on the Plan in the Budget, as now finalized, is about Rs. 32 crores, which sum is the ceiling prescribed by the Planning Commission for the year. Last year, we had programmed more ambitiously but actual accomplishments were less. Final figures are not yet available but the total may be of the order of Rs. 29 crores. Broad details are given in an Appendix to this Volume. There were short-falls in many departments, partly due to scarcity of cement, steel and foreign exchange, which conditions developed during the course of the year, and also due to our inability to set up in time the organization necessary for implementing some of the new schemes. Conditions this year are distinctly less favourable. On present indications, the foreign exchange position is likely to get more difficult during the course of the year, since a heavy programme for the import of capital goods is still pending. As the situation unfolds itself, we may even have to accept the postponement of some of the works of a lower priority involving foreign exchange. The present upward trend in prices of foodgrains and other consumer goods is a warning that the further scope for raising resources through deficit financing is strictly limited. But we are all

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agreed that the present Plan is the least that we should aim at, towards improving living standards and, therefore, we should do our utmost to sustain it. We should step up agricultural production taking advantage of the further measures of intensive cultivation initiated during the year. Fortunately the south-west monsoon has set in, in time and the season promises to be fair, the Mettur Reservoir being already full. We must maintain an industrial truce, the management and the workers co-operating whole-heartedly, and ensure the maximum output on the capital invested. These are sure means within our control to arrest the rise in prices and prevent the further drain of foreign exchange on the import of foodgrains and essential consumer goods. We must also maximise internal resources for the Plan by a well-integrated scheme of Small Savings. Our Public borrowings were hitherto restricted to the industrial and commercial sectors and, to a limited extent, to the more substantial agriculturists. These are the people who usually put their savings in banks and, therefore, the money is already in circulation and available for productive purposes. The increase in agricultural prices and industrial production, has put in new money in the hands of smaller agriculturists and wage-earners in industry. We have to build up a proper organization to carry the message of the Plan to these people and to induce them to save a small portion of their earnings. In an expanding economy with a wide dispersal of incomes, this is the one sure way of materially augmenting capital resources. All these would mean further sacrifice and sustained effort, but without them it may not be possible to implement the whole Plan. Let us, therefore, explain the position to the people frankly and confidently, and I have no doubt that they will rise to the occasion.

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38. Before I conclude, let me place on record my grateful appreciation of the able assistance rendered to me and the Government by the Finance Secretary and the members of his staff, during the year. Sri R. Rangachari, who has been in immediate charge of Budget compilation for the past about ten years, is leaving the Government service on superannuation and let us wish him long life and happiness in his retirement.

With these remarks, Sir, I commend to the acceptance of the House the Budget proposals for 1957-58.

